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TAGS: SENV ENRG ECON TSPL TRGY KSCA KGHG IN
SUBJECT: SARAN ASKS INDIAN INDUSTRY TO COMMIT TO A LOW CARBON ECONOMY
WHILE GOI NEGOTIATES ON THEIR BEHALF MULTILATERALLY

REF: A. NEW DELHI 844
¶B. MUMBAI 113

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¶1. Summary: In a tough speech to Indian industry in Mumbai, Special Envoy for Climate Change Shyam Saran stated that the Indian government would resist calls for uniform standards for carbon emission reductions. Any global deal would have to take into account a country's relative development, as well as its historical and current carbon output. Saran also explained that despite this position, India would focus on reducing its carbon footprint domestically. Indian industry was largely unmoved however, noting that industry has already begun to pursue clean and green energy solutions to avoid the increasingly high cost of traditional fossil-fuel based energy sources. End Summary.
¶2. At a climate change conference on April 21 organized by the Confederation of Indian Industry, Shyam Saran, the Special Envoy from the Prime Minister's office, outlined the Indian government's position on climate change. Saran stated that while India is pursuing the development of a low-carbon economy domestically, multilateral dynamics are different. Multilateral negotiations on climate change are grounded on the principle of equity, Saran explained, but he assured listeners that the government realizes the "real" and "serious" threat of climate change and is taking domestic measures to address this challenge expeditiously.
¶3. Saran noted that India's contribution to total carbon emissions is "modest" and that India and other developing countries bQieve in the "polluter pays" philosophy. Saran also emphasized that it is not justifiable to extrapolate current emission trends in India to 30-40 years in the future. He highlighted the difference between "survival" emissions from developing countries and "lifestyle" emissions from developed countries. For example, 600 million Indians do not have access to energy today and Saran argued that their need for energy cannot be compared to a more developed country's need for energy that can be regulated by a tax on auto emissions or a carbon tax. For these reasons, he continued, developed countries should compensate developing countries for lowering carbon emissions both today and in the post 2012 period, by the transfer of financial resources and technical know-how.
¶4. Saran also laid out India's position in multilQeral climate change negotiations. While the first commitment period expires

in 2012, India believes that the only item to be renegotiated is the future emission reduction targets for developed countries. In addition, India's responsibility to support emission reductions is not to be linked to any conditionality. Finally, developed countries cannot be allowed to use the sectoral approach to climate change to argue for globally binding industry-wide norms to address international competiveness, he maintained (Note: This is in contrast to what he told CODEL Pelosi about one month ago. Reftel A). Saran explained that the sector-based approach to climate change prescribes the negotiation of internationally binding emission norms for specific sectors; he opined that the sectors will be particularly energy-intensive ones like the cement industry. He believes that supporters of this approach can argue that international competiveness requires all countries -- including developing countries like India - to adhere to these binding emission norms. Saran warned that "developed countries who adopt sectoral standards among themselves will use the competitiveness argument to levy protectionist tariffs against the products of developing countries." Developed countries advocate a zero tariff regime for green goods, but this can distort trading patterns by using trade competitiveness arguments, he continued. Instead he argued that green goods should have their IPR regime adjusted to allow for cheaper adoption by developing countries. He also argued for the creation of a venture capital fund, whose purpose would be to enable developing countries to adopt green technologies.

¶5. After laying out India's "tough" stance on climate change multilateral negotiations, Saran explained that India will pursue a strategy of environmentally sustainable development domestically. He pointed out that energy growth in India is significantly lower than economic growth. India has achieved an 8-9 percent GDP growth rate with a mere 4 percent increase in energy consumption, he noted. This trend can continue and accelerate if the government and the private sector works together to develop energy conservation measures in high-energy intensive industries, he continued. The reliance on expensive and exhaustible energy resources will constrain India's growth, and new technologies and renewable sources of energy have to be

employed to ensure predictability and affordability, he warned. So, India will have to increase its energy efficiency standards and accelerate the development of renewable energy sources like nuclear power, wind, solar, and biomass.

¶6. Saran said that the government will announce a national action plan for climate change in June. Previewing aspects of this plan, he stated the GoI wanted to create carbon sinks by planting additional forests, increase water conservation and address solid waste management. He noted that Indian industry is ahead of the curve in terms of energy efficiency and as a result the GoI was starting to believe that market forces would be the best mechanism for ensuring energy conservation. Addressing those critics who believed India has not done its part to address climate change, he stated that India was already spending close to 2.5% of its GDP on adapting to climate change. He also pointed out that India's cement industry is now the world's most energy efficient and a major industrial group was about to make a USD5 billion investment in solar energy in India.

¶7. After the speech, Indian corporate representatives told Congenoff that, in contrast to Saran's message, they really were not concerned whether India agrees to emissions limits or not. This view reflects what Indian corporate leaders told Speaker of the House Nancy Pelosi and her delegation in Mumbai in March (reftel B). Corporate India's biggest concern appears to be how to help small and medium enterprises go green; it is a widespread belief that large enterprises will be able or are in the process of making the leap to green business practices without much government help. Businesses also commented that carbon credits, though helpful, were increasingly difficult to secure because of increasing scrutiny by the U.N. on proposed projects. Businesses also pointed out that small companies cannot afford the project advisory and audit fees, which amount to USD 5,000-10,000, that are required to get the project certified by the U. N. The increasingly high prices of and seeming scarcity of energy in India are enough to make them look

at energy conservation, irrespective of the carbon credit incentive.

¶8. Comment: While the Indian government continues to "talk tough" multilaterally and to justify India's exclusion from legally binding emission reductions, Indian industry is unilaterally increasing its R&D efforts to develop alternative clean energy technologies. In discussions with clean energy companies, Congenoffs heard that the carbon credit trading incentive system under Kyoto is not the main driver behind these energy conserving measures. High energy costs of around 30-40 percent of total manufacturing costs forces Indian industry to conserve and efficiently use energy and to explore alternative non-conventional energy sources in order to remain economically viable and globally competitive. Perversely, while the media and political classes are talking about the heavy toll high energy prices are taking on the economy, they appear to have been the best possible driver towards energy conservation and building a green economy in India.

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